



STATE OF UTAH INSURANCE DEPARTMENT  
REPORT OF FINANCIAL EXAMINATION

of

**SELECTHEALTH, INC.**

of

Murray, Utah

as of

December 31, 2021



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May 9, 2023

Honorable Jonathan T. Pike, Commissioner  
Utah Insurance Department  
4315 S. 2700 West, Ste. 2300  
Taylorsville, UT 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

SELECTHEALTH, INC.  
Murray, Utah

hereinafter referred to in this report as “the Organization” and the following report of examination is respectfully submitted.

## SCOPE OF EXAMINATION

### Period Covered by Examination

This full-scope examination of the Organization was conducted by representatives of the Utah Insurance Department (Department) and covers the period of January 1, 2018, through December 31, 2021, including any material transactions and/or events occurring after the examination date and noted during the examination.

### Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Organization and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Organization’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Organization were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204, and general information about the Organization and its financial condition. There may be

other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Organization.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

There were no significant findings or recommendations for inclusion in this examination report.

## **ORGANIZATION HISTORY**

### **General**

In 1975, the Church of Jesus Christ of Latter-day Saints transferred all assets and liabilities of its hospital system to a Board of Trustees, which in turn created Intermountain Health Care, Inc. (Intermountain), a nonprofit tax exempt 501(c)(3) charitable organization, to own and operate the hospital system.

Intermountain formed the Organization on December 27, 1983, under the provisions of the Utah Nonprofit Corporation and Cooperative Association Act, for the purposes of developing and administering financial mechanisms for its network of health services. The Organization is therefore a 501(c)(4) tax-exempt social welfare Organization, licensed as a health maintenance organization. In 1992, the Organization formed a wholly owned for-profit life and health insurance company, SelectHealth Benefit Assurance Company, Inc.

### **Dividends and Capital Contributions**

On December 14, 2020, the Department approved the Organization's extraordinary distribution of \$292,000,000 to its affiliate, IHC Health Services, Inc. This payment was recorded as a reduction to the Gross Paid in and Contributed Surplus for the 2020 Annual Statements.

The Organization did not receive any capital contributions during the examination period or after.

### **Mergers and Acquisitions**

The Organization was not directly involved in any mergers or acquisitions during this examination period or after.

## **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

### **Board of Directors**

The Organization's bylaws indicate that the Board may have from four (4) to thirty (30) trustees. The following persons served as trustees of the Organization as of December 31, 2021:

<b>Name and Location</b>	<b>Principal Occupation</b>
Michael Antony Anglin West Valley City, UT	Senior Pricing Analyst United Parcel Service
Karla Kay Bergeson Washington, UT	Retired Corporate Attorney
Josh Allen England Salt Lake City, UT	President C.R. England
Maria Rocio Summers Salt Lake City, UT	Founder and Consulting Principal RS International Business Consulting, LLC
Cyndi Rogers Tetro Provo, UT	Chief Executive Officer Brandless
Andrea Poole Wolcott Salt Lake City, UT	Retired Banking Executive
Albert Rene' Zimmerli Sandy, UT	Executive V.P and Chief Financial Officer Intermountain Health Care, Inc.
Marti Ree Lolli Salt Lake City, UT	President and Chief Executive Officer SelectHealth, Inc. SelectHealth Benefit Assurance Company, Inc.
David Brett Sanford Highland, UT	Vice President and Corporate Controller CHG Healthcare Services, Inc.
Alexander Marc Harrison, MD Salt Lake City, UT	President and Chief Executive Officer Intermountain Health Care, Inc.
Maria Jean Garciaz Salt Lake City, UT	Executive Director NHS (NeighborWorks Salt Lake)
Daniel Gerald Gomez Sandy, UT	President Gomez Corp, Financial Advisors & Insurance
Mark Richard Briesacher, MD Salt Lake City, UT	Senior Vice President, Chief Physician Executive, Intermountain Medical Group

## Officers

The following persons served as officers of the Organization as of December 31, 2021:

<b>Name</b>	<b>Title</b>
Marti Rae Lolli	President and Chief Executive Officer
Todd Daniel Trettin	Vice President and Chief Financial Officer
Kristin Roberts McCullagh	Secretary
Sean Thomas Dunroe	Vice President
Jon Ray Griffith	Vice President
Russel John Kuzel	Vice President
David Alvin Lemperle	Vice President
Jerry Roy Edgington	Vice President

See SUBSEQUENT EVENTS section for changes to Directors/Trustees and Officers.

## Committees

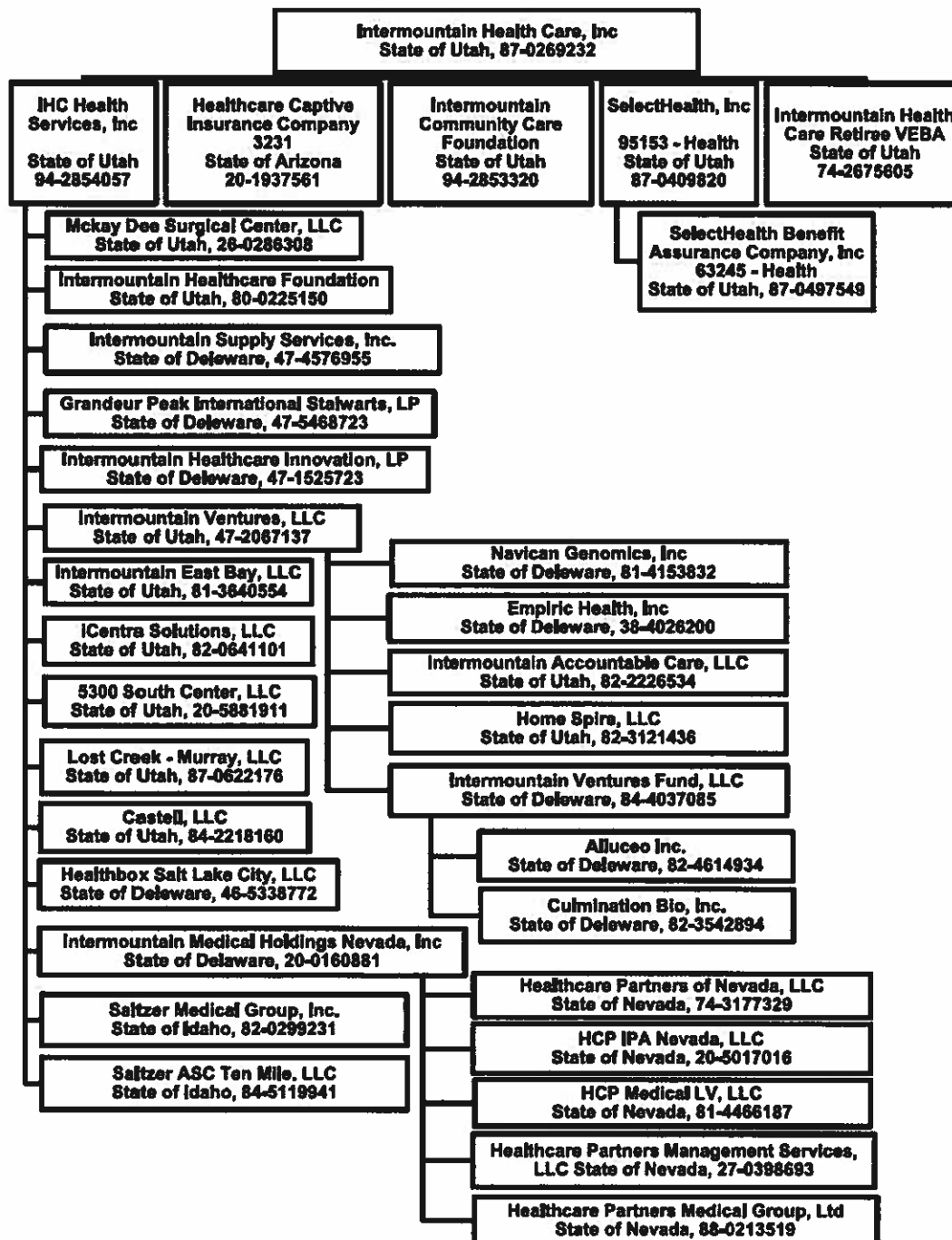
The Organization's bylaws require that an Executive Committee and Quality Assurance Committee be formed. In addition to these two committees, the Organization also had the following standing committees: Investment, Audit & Compliance, Finance, and Community Relations. The following persons served as committee members as of December 31, 2021:

<b>Executive</b>	<b>Audit &amp; Compliance</b>	<b>Finance</b>
Daniel G. Gomez, Chair	D. Brett Sanford, Chair	Andrea P. Wolcott, Chair
Andrea P. Wolcott	Michael A. Anglin	Mark R. Briesacher, MD
Marti R. Lolli	Daniel G. Gomez	Daniel G. Gomez
Albert R. Zimmerli	Andrea P. Wolcott	Gregory M. Johnson
Kristen R. McCullagh	Todd D. Trettin	D. Brett Sanford
		Rocio Summers
		Todd D. Trettin

<b>Investment</b>	<b>Quality Assurance</b>	<b>Community Relations</b>
Albert R. Zimmerli, Chair	Michael A. Anglin, Chair	Karl K. Bergeson, Chair
Douglas C. Black	Maria J. Garciaz	Josh A. England
Spencer F. Eccles	Daniel G. Gomez	Maria J. Garciaz
Daniel G. Gomez	Cydni R. Tetro	Daniel G. Gomez
A. Marc Harrison, MD	Mike Woodruff, MD	Rocio Summers
Steve D. Huebner	Cara Camiolo Reddy, MD	Lisa Nichols
Roy S. Jespersen	Russel J. Kuzel, MD	Ann Riedesel
Kent Misener		David A. Lemperle
Matthew C. Packard		
Steven Thorley		
Todd D. Trettin		

## Holding Organization

The Organization is part of a holding company as defined in Utah Code §31A-16. The Organization is wholly owned and controlled by Intermountain Health Care, Inc. (Intermountain). The Organization owns 100% of the common capital stocks of SelectHealth Benefit Assurance Company, Inc. (SHBAC). The following Organizational chart depicts the holding company as of December 31, 2021:



### Transactions and Agreements with Affiliates

The Organization was a party to the following affiliated agreements, which were all non-disapproved by the Department, as of December 31, 2021:

<b>Agreement</b>	<b>Affiliated Entity</b>	<b>Non-Disapproval Date</b>
Management Services	SHBAC	January 2014
Management Services	IHC Health Services	November 2013
Administrative Services	Intermountain	January 2015
Participating Provider Services	Intermountain Medical Group	January 2015
Asset Exchange	IHC Health Services	December 2006
Parking Structure Use	IHC Health Services	January 2010
Ground Lease	IHC Health Services	January 2010
Office Space Lease	5300 South Center, LLC	February 2012
Participating Provider Services	IHC Health Services	January 2015
Facility Services	IHC Health Services	February 2018
Prescription Drug and Pharmacy Services	IHC Health Services	January 2015
Mail Order Prescription Drug and Pharmacy Services	IHC Health Services	January 2015
Statement of Work for Delegated Credentialing Activities	IHC Health Services	January 2015
Dental Participating Provider Services	IHC Health Services	October 2015
Flu Shot Administration	IHC Health Services	March 2016
Pharmacy Benefit Manager	IHC Health Services	August 2016
Revenue Sharing	IHC Health Services	May 2020
Interpretive Services	IHC Health Services	April 2020
Delegated Services	IHC Health Services	May 2020
Population Health Services	Castell	August 2020

In addition, the Organization is committed to providing its affiliate, SHBAC, with loan guarantees or financing sufficient to enable the Company to meet all its financial obligations and commitments.

### **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2021, the Organization was licensed and authorized to conduct HMO business in the states of Idaho, Nevada and Utah, with most of the premiums written in Utah. The Organization is also licensed as a third-party administrator.

The Organization provides accident and health benefits serving over 1 million commercial and government program members. The Organization offers coverage under government-sponsored programs such as Medicaid, Medicare, and individual plans under the Affordable Care Act. The Organization covers commercial large and small employer groups, as well as individuals, primarily through a resident producer and through unaffiliated insurance agencies appointed by the

Organization. It markets traditional HMO plans with and without Point-of-Service features. The Organization is integrated with Intermountain as an integral part of its not-for-profit health system.

## REINSURANCE

### Assumed

The Organization did not assume any reinsurance as of the examination date.

### Ceded

#### HM Life Insurance Company (HM Life)

The Organization had an excess of loss reinsurance agreement with HM Life effective until June 30, 2020, which was not renewed. The initial retention was \$2,000,000 per member, \$2,600,000 with no maximum for Commercial members and \$3,500,000 for Medicaid members.

#### Zurich American Insurance Organization (Zurich)

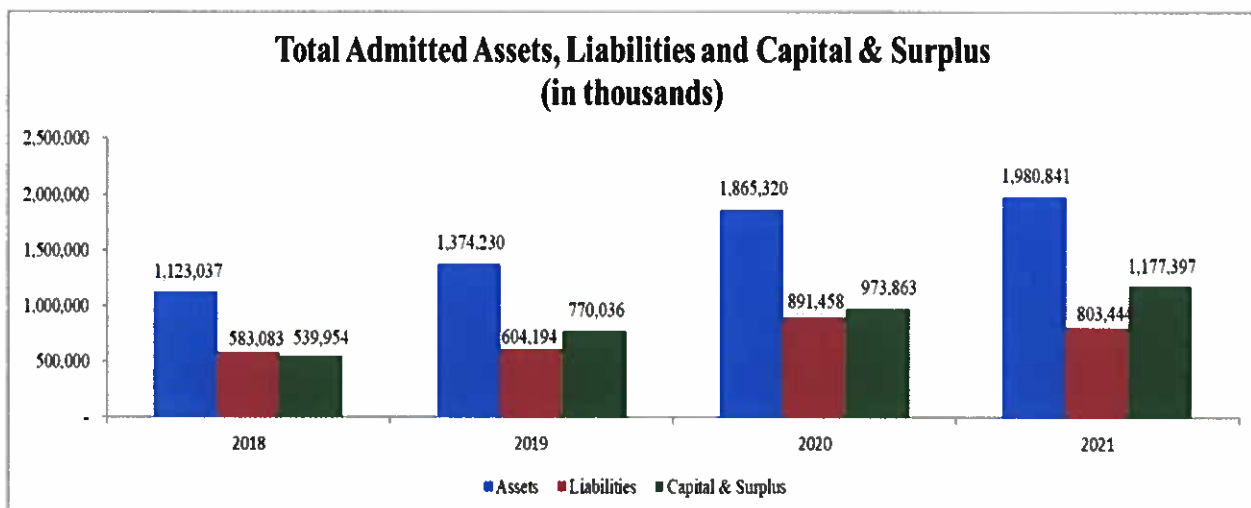
The Organization has an excess loss reinsurance agreement in place with Zurich effective July 1, 2020, with the initial retention of \$2,000,000 of losses incurred per member. The reinsurer assumes 90% of the risk for claims exceeding retention with no maximum.

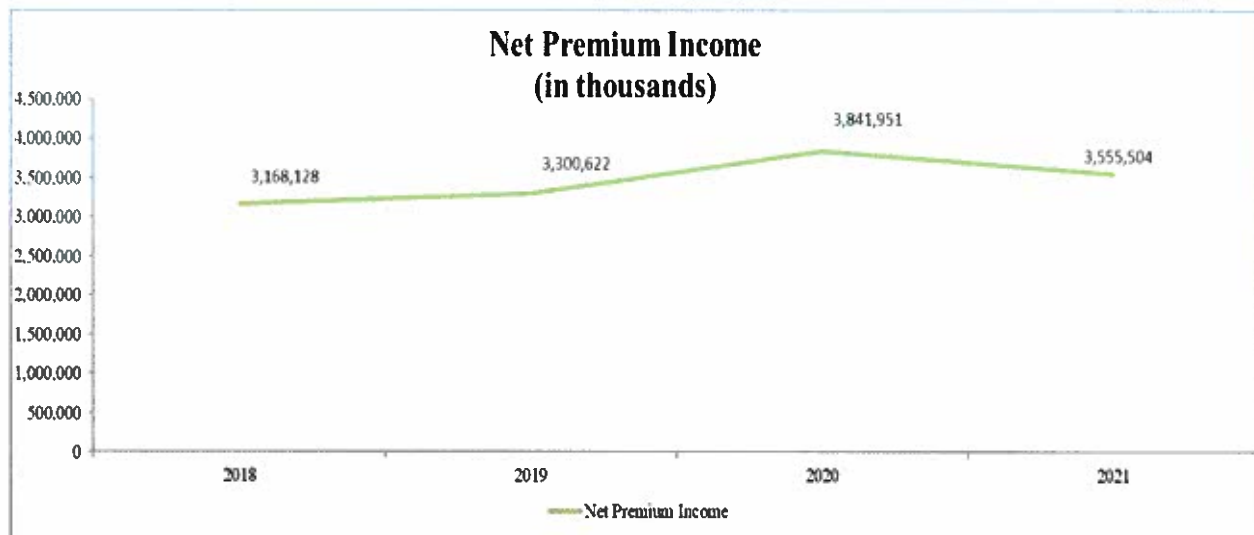
#### Idaho Individual High-Risk Reinsurance Pool

The Organization cedes the business written in Idaho to the Idaho Individual High-Risk Reinsurance Pool, a reinsurance involuntary state program for insurers involved in the ACA. The attachment point is \$50,000 and the coinsurance rate is 70% with a maximum annual reinsurance of \$500,000.

## GROWTH OF ORGANIZATION

The Organization's financial solvency remains stable during the examination period as reflected in the following graphs:





## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Organization with the Department and present the financial condition of the Organization for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any), reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

SELECTHEALTH, INC.  
BALANCE SHEET  
as of December 31, 2021

ASSETS

	Net Admitted Assets
Bonds	\$ 915,288,674
Common stocks	603,289,183
Cash, cash equivalents, and short-term investments	105,103,309
Other invested assets	61,209,098
Receivables for securities	103,630,917
Investment income due and accrued	3,384,264
Uncollected premiums and agents' balances in the course of collection	13,203,379
Accrued retrospective premiums and contracts subject to determination	60,007,049
Amounts recoverable from reinsurers	6,407,158
Amounts receivable relating to uninsured plans	32,075,004
Guaranty funds receivable or on deposit	98,194
Electronic data processing equipment and software	19,231
Receivables from parent, subsidiaries and affiliates	14,167,684
Health care and other amounts receivable	62,957,884
Total assets	<u>\$ 1,980,841,028</u>

SELECTHEALTH, INC.  
BALANCE SHEET (CONTINUED)

as of December 31, 2021

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Current Year</u>
Claims unpaid	\$ 368,772,546
Accrued medical incentive pool and bonus amounts	9,235,392
Unpaid claims adjustment expenses	19,655,000
Aggregate health policy reserves	48,460,175
Premiums received in advance	79,621,278
General expenses due or accrued	64,448,251
Amounts withheld or retained for the account of others	15,467,689
Remittances and items not allocated	2,128,783
Payable for securities	180,160,132
Liability for amounts held under uninsured plans	<u>15,495,016</u>
Total liabilities	803,444,262
 Gross paid in and contributed surplus	 138,125,275
Unassigned funds (surplus)	<u>1,039,271,489</u>
Total capital and surplus	<u>1,177,396,764</u>
Total liabilities, capital and surplus	<u>\$ 1,980,841,026</u>

SELECTHEALTH, INC.  
STATEMENT OF REVENUE AND EXPENSES  
for the Year Ended December 31, 2021

	<u>Current Year</u>
Member months	9,660,045
Net premium income	\$ 3,555,504,209
Change in unearned premium reserves and reserves for rate credits	43,722,888
Aggregate write-ins for other non-health revenues	<u>3,511,680</u>
Total revenues	3,602,738,777
<b>Hospital and Medical</b>	
Hospital/medical benefits	2,049,564,363
Other professional services	237,102,132
Outside referrals	77,148,086
Emergency room and out-of-area	259,346,621
Prescription drugs	568,122,125
Incentive pool, withhold adjustments and bonus amounts	<u>(43,770,328)</u>
Total hospital and medical expenses	3,147,512,999
<b>Less:</b>	
Net reinsurance recoveries	<u>9,241,279</u>
Total Hospital and Medical	3,138,271,720
Claims adjustment expenses	149,999,650
General administrative expenses	<u>215,857,406</u>
Total underwriting deductions	\$ 3,504,128,776
Net underwriting gain or (loss)	<u>\$ 98,610,001</u>
Net investment income earned	49,566,518
Net realized capital gains (losses)	<u>26,565,595</u>
Net investment gains (losses)	\$ 76,132,113
Net income or (loss) after capital gains, before federal income taxes	<u>174,742,114</u>
Federal and foreign income taxes incurred	<u>0</u>
Net income (loss)	<u>\$ 174,742,114</u>

SELECTHEALTH, INC.  
RECONCILIATION OF CAPITAL AND SURPLUS  
2018 through 2021

	2018	2019	2020	2021
Capital and surplus, December 31, prior year	\$482,280,558	\$ 539,954,238	\$ 770,035,953	\$ 973,862,826
Net income	141,798,321	194,884,337	425,672,539	174,742,114
Change in net unrealized capital gains (losses)	(62,456,082)	45,597,475	51,932,114	30,163,394
Change in non-admitted assets	(21,668,559)	(10,400,097)	18,222,220	(1,371,570)
Surplus adjustment: Paid in	0	0	292,000,000	0
Net change in capital and surplus	57,673,680	230,081,715	203,826,873	203,533,938
Capital and surplus, December 31, current year	\$539,954,238	\$ 770,035,953	\$ 973,862,826	\$ 1,177,396,764

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to capital & surplus as of December 31, 2021, as a result of the examination.

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

There are no comments on financial statement items as of December 31, 2021, as a result of this examination.

## **SUBSEQUENT EVENTS**

The following events occurred subsequent to the examination period:

1. **Officers:** In 2022, Martie Rae Lolli resigned as President and CEO. Robert Todd Hitchcock became interim President and CEO until his formal appointment on February 15, 2023. In addition, Heather Kay O'Toole was appointed as Vice President. Russel John Kuzel and David Alvin Lemperle resigned from their positions as Vice President.

2. **Trustees:**

a. The following Trustees were appointed in 2022: Robert Wayne Allen, Lydia Wales Jumonville, James Patrick Valin, MD., Daneece Glenn Huftalin, Elizabeth Rowena Dorris Owens, Robert Todd Hitchcock, and Katherine Elizabeth Sanderson.

b. The following Trustees resigned during 2022: Alexander Marc Harrison, MD., Maria Jean Garciaz, Marti Rae Lolli, Mark Richard Briesacher, MD., and Daniel Gerald Gomez.

## **ACKNOWLEDGEMENT**

Margaret Hermann, FSA, MAAA, INS Regulatory Insurance Services Inc., performed the actuarial review of the examination. Michael Nadeau, CISA, CFE, AES, CPA, IT Senior Manager, Eide Bailly, LLP, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Examiner, Utah Insurance Department, supervised the examination. In addition, Alan Monsen, MSF, APIR, Financial Examiner, and Liliana Contreras, Financial Examiner, Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the examination by officers and representatives of the Organization.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'SE' or 'S Eady', written in a cursive style.

Scott Eady, CPA, CFE  
Exam360, representing Utah Insurance Department